



March 7, 2011

Co-Chair Eileen Daily
Co-Chair Patricia Widlitz
Senator Andrew Roraback
Representative Sean Williams

Environment Committee:

We are submitting testimony on S.B. 1007, AN ACT CONCERNING THE GOVERNOR'S RECOMMENDATIONS ON REVENUE as it pertains to the increase in the cigarette tax found in section 10 .

The Independent Connecticut Petroleum Association (ICPA) represents 576 petroleum marketers and their associated business in Connecticut. ICPA members employ over 13,000 people in our state and provide over 1,000 convenience stores with gasoline.

ICPA recommends increasing the minimum markup on cigarettes from 8% to 21%. The increase would support local businesses while increasing revenue to the state by a minimum of 6 cents per pack.

Attached to this testimony is a spread sheet demonstrating how cigarettes are priced in Connecticut. The spreadsheet shows that an increase in the minimum markup would generate additional sales tax revenue. This proposal benefits local businesses and the states revenue picture. While the cigarette tax has increased several times to the benefit of the state, the minimum markup has not.

The gasoline industry generates approximately \$1.3 billion in petroleum gross earnings tax, gasoline excise tax, diesel tax, cigarette tax, sales tax, corporate tax, and income taxes annually. The gasoline industry is a part of the solution to the states budget problems.

In the last three decades we have seen the number of gasoline stations fall from over 2,000 to under 1,400. This decline in stations is in part a result of reduced profitability. Increasing the minimum markup, in some amount, on cigarettes will help the gasoline industry continue to be a part of the solution to the states budget problems.

We ask that the committee not raise the cigarette tax, but considering working with the industry to find a compromise that strengthens local businesses and helps the state.

Respectfully,

Christian A. Herb
Vice President

**STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES
CIGARETTE MINIMUM PRICING**

Cigarette Prices in Connecticut

SAMPLE

10/1/09

	Basic	Marlboro	Merit
MANUFACTURER'S PRICE PER THOUSAND CIGARETTES	\$175.70	\$189.20	\$231.50
State Cigarette Tax - \$3.00 per pack of 20	\$150.00	\$150.00	\$150.00
Initial BASE COST	\$325.70	\$339.20	\$381.50
DEALER TO SUB-JOBBER/CHAIN			
BASE COST	\$325.70	\$339.20	\$381.50
Base mark-up (.875%)	\$2.85	\$2.97	\$3.34
Cost per thousand to sub-jobber/chain	\$328.55	\$342.17	\$384.84
Cost PER CARTON TO SUB-JOBBER - (PICK-UP)	\$65.71	\$68.44	\$76.97
DEALER TO SUB-JOBBER/CHAIN (DELIVERED)			
BASE COST	\$325.70	\$339.20	\$381.50
Base mark-up + cartage (1.625%)	\$5.29	\$5.51	\$6.20
Cost per thousand to sub-jobber/chain	\$330.99	\$344.71	\$387.70
Cost PER CARTON TO SUB-JOBBER - (DELIVERED)	\$66.20	\$68.95	\$77.54
DEALER/SUBJOBBER TO DEALER			
BASE COST	\$325.70	\$339.20	\$381.50
Base Mark-up (5.75%)	\$18.73	\$19.50	\$21.94
Cost per thousand to dealer	\$344.43	\$358.70	\$403.44
Cost PER CARTON TO DEALER - (PICK-UP)	\$68.89	\$71.74	\$80.69
DEALER/SUBJOBBER TO DEALER (DELIVERED)			
BASE COST	\$325.70	\$339.20	\$381.50
Base Mark-up + Cartage (6.5%)	\$21.17	\$22.05	\$24.80
Cost per thousand to dealer	\$346.87	\$361.25	\$406.30
Cost PER CARTON TO DEALER - (DELIVERED)	\$69.38	\$72.25	\$81.26
DEALER TO CONSUMER			
Cost to Dealer (per carton) - (Pick-up)	\$68.89	\$71.74	\$80.69
Mark-up (8%)	\$5.52	\$5.74	\$6.46
RETAIL PRICE PER CARTON - (PICK-UP)	\$74.41	\$77.48	\$87.15
RETAIL PRICE PER PACK - (PICK-UP)	\$7.45	\$7.75	\$8.72
DEALER TO CONSUMER (DELIVERED)			
Cost to Dealer (per carton) - (Delivered)	\$69.38	\$72.25	\$81.26
Mark-up (8%)	\$5.55	\$5.78	\$6.50
RETAIL PRICE PER CARTON - (DELIVERED)	\$74.93	\$78.03	\$87.76
RETAIL PRICE PER PACK - (DELIVERED)	\$7.50	\$7.81	\$8.78

Notes: Cost per thousand divided by 5 gives cost per carton of 200 cigarettes, computation being rounded off to next higher cent.
Retail carton price divided by 10, gives price per pack of 20, and divided by 8, gives retail price per pack of 25, computation being rounded off to next higher cent.

PA's Suggested Changes to the Minimum Markup

DEALER TO CONSUMER

Cost to Dealer (per carton) - (Pick-up)	\$68.89	\$71.74	\$80.69
Mark-up (21%)	\$14.47	\$15.07	\$16.95
RETAIL PRICE PER CARTON - (PICK-UP)	\$83.36	\$86.81	\$97.64
RETAIL PRICE PER PACK - (PICK-UP)	\$8.34	\$8.69	\$9.77
DEALER TO CONSUMER (DELIVERED)			
Cost to Dealer (per carton) - (Delivered)	\$69.38	\$72.25	\$81.26
Mark-up (21%)	\$14.57	\$15.18	\$17.07
RETAIL PRICE PER CARTON - (DELIVERED)	\$83.95	\$87.43	\$98.33
RETAIL PRICE PER PACK - (DELIVERED)	\$8.40	\$8.75	\$9.84

Increasing the minimum markup on cigarettes from 8% to 21% would generate an additional 6 cents per pack in sales tax.

This would allow retailers to make additional money while increasing revenue to the state.